

Introduced by Senator Runner

January 11, 2006

Senate Constitutional Amendment No. 21—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Section 12 of Article IV thereof, relating to the state budget.

LEGISLATIVE COUNSEL'S DIGEST

SCA 21, as introduced, Runner. State budget.

The California Constitution requires the Governor to submit, within the first 10 days of each calendar year, to the Legislature a budget for the ensuing fiscal year. The budget is required to contain itemized statements for recommended state expenditures and estimated state revenues.

This measure would require the Governor's Budget also to contain a separate estimate of General Fund revenue, and of the principal and interest payable on outstanding General Fund-supported debt, as defined. Each of these estimates would be required to be an aggregate estimate for the ensuing fiscal year and the subsequent 4 fiscal years.

The measure would permit the Budget Bill to make appropriations that are to be funded from the proceeds of General Fund-supported debt only to the extent that the estimated principal and interest on the General Fund-supported debt that will be incurred to fund those appropriations, and previously enacted appropriations, when combined with estimated principal and interest on outstanding General Fund-supported debt for that 5-year period, does not exceed 6% of estimated General Fund revenues over the 5-year period. The measure would be known as the "Debt Limitation Act of 2006."

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

1 WHEREAS, The Legislature finds and declares as follows:

2 (a) The state's fiscal health will be significantly and negatively
3 impacted if the state incurs debt payable from the General Fund
4 in an amount greater than the amount anticipated to be supported
5 by General Fund revenues.

6 (b) The Constitution should establish a mechanism for
7 ensuring that the amount of debt payable from the General Fund
8 incurred in any fiscal year is within prudent limits; now,
9 therefore, be it

10 *Resolved by the Senate, the Assembly concurring,* That the
11 Legislature of the State of California at its 2005-06 Regular
12 Session commencing on the sixth day of December 2004,
13 two-thirds of the membership of each house concurring, hereby
14 proposes to the people of the State of California, that the
15 Constitution of the State be amended as follows:

16 First—That Section 12 of Article IV thereof is amended to
17 read:

18 SEC. 12. (a) Within the first 10 days of each calendar year,
19 the Governor shall submit to the Legislature, with an explanatory
20 message, a budget for the ensuing fiscal year containing itemized
21 statements for recommended state expenditures~~and~~, estimated
22 state revenues, *including a separate estimate of General Fund*
23 *revenues, and an estimate of principal and interest payable on*
24 *General Fund-supported debt applicable to the purposes*
25 *described in paragraph (2) of subdivision (c). The estimates of*
26 *General Fund revenues, and of principal and interest payable on*
27 *General Fund-supported debt, shall each be an aggregate*
28 *estimate for the ensuing fiscal year and the subsequent four fiscal*
29 *years. If recommended expenditures exceed estimated revenues,*
30 *the Governor shall recommend the sources from which the*
31 *additional revenues should be provided.*

32 (b) The Governor and the Governor-elect may require a state
33 agency, officer, or employee to furnish whatever information is
34 deemed necessary to prepare the budget.

35 (c) (1) The budget shall be accompanied by a budget bill
36 itemizing recommended expenditures.

37 (2) *The introduced budget bill may make appropriations that*
38 *are to be funded from the proceeds of General Fund-supported*
39 *debt only to the extent that the estimated principal and interest*
40 *on the General Fund-supported debt that will be incurred to fund*

1 *those appropriations, as combined with (A) the estimated*
2 *principal and interest on any General Fund-supported debt that*
3 *will be incurred to fund appropriations that have been enacted as*
4 *of the date the budget bill is introduced, and (B) the principal*
5 *and interest payable on outstanding General Fund-supported*
6 *debt for the ensuing fiscal year and the subsequent four fiscal*
7 *years, does not exceed 6 percent of General Fund revenues for*
8 *the next fiscal year and the subsequent four fiscal years as*
9 *estimated in the Governor’s Budget pursuant to subdivision (a).*
10 *As necessary to comply with this restriction, the budget bill may*
11 *include provisions that limit any existing continuous*
12 *appropriations that are to be funded or refunded from the*
13 *proceeds of General Fund-supported debt and have not been*
14 *encumbered. For the purpose of this section, an appropriation is*
15 *deemed to be funded from the proceeds of General*
16 *Fund-supported debt whether the appropriation is funded*
17 *directly from those proceeds, or is funded from another source*
18 *that is to be reimbursed from those proceeds.*

19 *(3) (A) For the purpose of this section, “General*
20 *Fund-supported debt” means both of the following:*

21 *(i) Debt approved by the voters pursuant to Section 1 of*
22 *Article XVI that is payable from the General Fund.*

23 *(ii) Obligations payable from General Fund appropriations*
24 *that are allocated to make lease payments in support of lease*
25 *revenue bonds.*

26 *(B) For the purpose of this section, “General Fund-supported*
27 *debt” does not include debt incurred pursuant to either of the*
28 *following:*

29 *(i) Section 5 of Article XIX.*

30 *(ii) Section 1 of Article XVI, to the extent that debt is payable*
31 *from a source other than, or in addition to, the General Fund, or*
32 *to the extent that debt is payable from the General Fund in*
33 *anticipation of reimbursement from a source other than the*
34 *General Fund.*

35 *(4) This subdivision shall not be construed to impair the*
36 *ability of the State to meet its obligations with respect to the*
37 *repayment or security of existing or future General*
38 *Fund-supported debt or to affect the validity of any bond or other*
39 *obligation of the State.*

1 (d) The budget bill shall be introduced immediately in each
2 house by the persons chairing the committees that consider the
3 budget.

4 ~~(3)~~

5 (e) (1) *The Director of Finance shall provide to the*
6 *Legislature updates of the estimates of General Fund revenues,*
7 *and principal and interest payable on General Fund-supported*
8 *debt, that were initially provided in subdivision (a), no later than*
9 *the latest date in May 2007, and in May of each subsequent year,*
10 *by which, as specified by statute, the director is to provide to the*
11 *Legislature the final estimate of General Fund revenues for the*
12 *current fiscal year and for the ensuing fiscal year and any other*
13 *proposed adjustments to the Governor's Budget.*

14 (2) The Legislature shall pass the budget bill by midnight on
15 June 15 of each year. *For the 2007-08 fiscal year, and each*
16 *subsequent fiscal year, the budget bill sent by the Legislature to*
17 *the Governor for consideration shall include the updated*
18 *estimate of General Fund revenues, and the updated estimate of*
19 *principal and interest payable on General Fund-supported debt,*
20 *for the ensuing fiscal year and the subsequent four fiscal years,*
21 *as provided by the Director of Finance pursuant to paragraph*
22 *(1). The Legislature may not send to the Governor for*
23 *consideration, nor may the Governor sign into law, a budget bill*
24 *that makes appropriations that are to be funded from the*
25 *proceeds of General Fund-supported debt except in compliance*
26 *with the restriction set forth in subdivision (c), as calculated*
27 *using the updated estimates provided by the Director of Finance.*

28 ~~(4)~~

29 (f) Until the budget bill has been enacted, the Legislature shall
30 not send to the Governor for consideration any bill appropriating
31 funds for expenditure during the fiscal year for which the budget
32 bill is to be enacted, except emergency bills recommended by the
33 Governor or appropriations for the salaries and expenses of the
34 Legislature.

35 ~~(d)~~

36 (g) No bill except the budget bill may contain more than one
37 item of appropriation, and that for one certain, expressed
38 purpose. Appropriations from the General Fund of the State,
39 except appropriations for the public schools, are void unless

1 passed in each house by rollcall vote entered in the journal,
2 two-thirds of the membership concurring.

3 ~~(e)~~

4 *(h)* The Legislature may control the submission, approval, and
5 enforcement of budgets and the filing of claims for all state
6 agencies.

7 ~~(f)~~

8 *(i)* For the 2004–05 fiscal year, or any subsequent fiscal year,
9 the Legislature may not send to the Governor for consideration,
10 nor may the Governor sign into law, a budget bill that would
11 appropriate from the General Fund, for that fiscal year, a total
12 amount that, when combined with all appropriations from the
13 General Fund for that fiscal year made as of the date of the
14 budget bill’s passage, and the amount of any General Fund
15 moneys transferred to the Budget Stabilization Account for that
16 fiscal year pursuant to Section 20 of Article XVI, exceeds
17 General Fund revenues for that fiscal year estimated as of the
18 date of the budget bill’s passage. That estimate of General Fund
19 revenues shall be set forth in the budget bill passed by the
20 Legislature.

21 Second—That this measure shall be known as the
22 “Debt Limitation Act of 2006.”